

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 OES-06 SS-15 AGR-05 LAB-04 HEW-04

HUD-01 DOTE-00 TRSE-00 AID-05 COME-00 NAS-01 NSF-01

OPIC-03 FAA-00 ERDA-05 NSC-05 XMB-02 /075 W

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R 011252Z SEP 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 8905

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E.O.11652: N/A

TAGS: EFIN, USIRJC

SUBJ: USIRJC: GOI REQUEST FOR EXPANDED CREDIT FACILITIES
FROM U.S.

1. SENIOR DEPUTY MINISTER JALIL SHORAKA AT THE MINISTRY OF ECONOMIC AFFAIRS AND FINANCE CALLED IN EMBOFFS TO RAISE MATTER OF EXPANDED U.S. EXPORT CREDITS TO IRAN IN CONTEXT OF U.S./IRAN JOINT COMMISSION. SUMMARY OF SHORAKA'S COMMENTS FOLLOWS.

2. SHORAKA BEGAN BY SAYING THAT IT WAS GOI VIEW THAT EXPANDED EXPORT CREDITS, I.E., FROM EXIMBANK, FORMED AN INTEGRAL PART OF THE U.S./IRAN JOINT COMMISSION. HE NOTED THAT WHILE PUBLISHED DOCUMENTS FOR MOST RECENT JOINT COMMISSION MEETINGS DID NOT MAKE EXPLICIT MENTION OF U.S. EXPORT CREDITS FOR IRANIAN PURCHASES IN THE U.S., NEVERTHELESS HE THOUGHT IT FAIL TO SAY THAT THE U.S. REPRESENTATIVES HAD AGREED IN PRINCIPLE TO SUCH A PROPOSITION. SINCE U.S. DELEGATES HAD BEEN UNABLE TO COMMIT EXIM ON THIS POINT IN THE ABSENCE OF EXIM REPRESENTATION AT THE JOINT COMMISSION MEETINGS, JOINT COMMUNIQUE WAS SILENT ON THIS SUBJECT. HE SAID THAT A \$40 BILLION TRADE TARGET IS AN IMPRESSIVE FIGURE AND IT SEEMED TO THE GOI PERFECTLY PROPER TO SEEK USG FINANCING WHERE POSSIBLE. HE THEN SAID THAT HE RECENTLY

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RECEIVED A LETTER FROM IRAN AIR, SAYING THAT LATTER HAD

APPARENTLY RUN INTO DIFFICULTIES IN ITS TALKS WITH EXIM FOR THE FINANCING FOR FIVE 747S. AFTER A CALL TO IRAN AIR'S MANAGING DIRECTOR (KHADEMI), HE SAID THAT TOTAL COST OF THE 747S WOULD BE ABOUT \$180 MILLION FOR WHICH GOI WAS SEEKING HALF, I.E., ABOUT \$90 MILLION, FROM EXIM. EXIM, HE SAID, APPARENTLY HAS DRAWN THE LINE AT \$30 MILLION. READING FROM IRAN AIR'S LETTER, HE SAID THAT THE ISSUE OF APPARENT LACK OF ANY FOREIGN COMPETITION IN THE 747 PURCHASE HAD BEEN RAISED BY EXIM AS A REASON FOR DECLINING TO GO ABOVE \$30 MILLION. HE HOPED THAT EMBASSY WOULD BE ABLE TO LEND A HAND IN A FAVORABLE RESOLUTION OF THE IMPASSE.

3. EMBOFF RESPONDED THAT WHILE EMBASSY COULD NOT SPEAK DEFINITELY AND AUTHORITATIVELY ON THE POINT OF COMPETITION, IT WAS OUR UNDERSTANDING THAT EXIM IS USUALLY RELUCTANT TO FINANCE PURCHASES OF U.S. COMMERCIAL AIRCRAFT WHEN THE FOREIGN BUYER HAS CLEARLY MADE UP ITS MIND TO GO WITH PURCHASE OF A U.S.-MANUFACTURED AIRCRAFT WHETHER OR NOT EXIM FINANCING IS FORTHCOMING. RATIONALE FOR THIS POSITION, AS EMBASSY UNDERSTOOD IT, WAS THAT EXIM WISHES TO ENTER PICTURE ONLY WHEN THERE IS RISK THAT ABSENCE OF EXIM FINANCING WOULD RESULT IN FOREIGN COUNTRY'S ACQUISITION OF AIRCRAFT OTHER THAN OF U.S. MANUFACTURE. EMBOFFS SAID THAT THEY WOULD SEEK CLARIFICATION FROM WASHINGTON.

4. EMBOFF THEN OBSERVED THAT GOI MUST REALISTICALLY FACE UP TO FACT THAT NON-PAYMENT OF LEND LEASE/SURPLUS PROPERTY DEBT HAS POTENTIAL FOR REAL TROUBLE. WHILE EMBASSY UNAWARE OF ANY EXPLICIT DECISION TO DENY FURTHER FINANCING TO PUBLIC SECTOR IN IRAN, SO LONG AS DEBT PROBLEM OUTSTANDING, THERE WERE NEVERTHELESS REAL POSSIBILITIES THAT THIS COULD HAPPEN. EXIM LOANS OF OVER \$60 MILLION WERE NORMALLY NOTIFIED TO THE CONGRESS PRIOR TO DISBURSEMENT; SOME MEMBERS OF CONGRESS HAVE CRITICIZED IRAN'S NON-PAYMENT OF LEGITIMATE DEBT. PROBLEM WAS ONE THAT SIMPLY WOULD NOT GO AWAY. RESPONDING TO EMBOFF'S OBSERVATION THAT HE WOULD BE MEETING WITH UNDERSECRETARY ASHRAFI ON SEPTEMBER 2 FOR REVIEW OF LEND-LEASE/SURPLUS PROPERTY-IRANIAN RAILWAY LIMITED OFFICIAL USE

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CLAIM, SHORAKA SAID THAT HE THOUGHT ASHRAFI WOULD HAVE SOMETHING CONSTRUCTIVE TO SAY. IN ANY CASE, SAID SHORAKA, HE UNDERSTOOD FROM SENIOR U.S. REPRESENTATIVES DURING JOINT COMMISSION TALKS THAT EXIM FINANCING FOR IRAN WOULD NOT RPT NOT BE CURTAILED OR TERMINATED AS LONG AS DISCUSSIONS WERE CONTINUING BETWEEN THE TWO GOVERNMENTS. EMBOFF REMARKED THAT DISCUSSIONS HAD BEEN UNDERWAY FOR YEARS AND THAT THERE WAS NOW UNDERSTANDABLE IMPATIENCE

ON U.S. SIDE FOR RESOLUTION.

5. FYI - LOCAL U.S. BANK CONTACTS REPORT THE APPEARANCE OF A POLICY BY EXIM ON IRAN EVOLVING THROUGH RECENT APPLICATIONS AND DISCUSSIONS; I.E., NO DIRECT LENDING FOR REASONS THAT IRAN IS STILL ATTRACTIVE TO COMMERCIAL BANK SOURCES; THUS EXIM WILL SUPPORT EXPORTS ONLY BY GUARANTEES. THE REPORTED \$40 MILLION COMMITMENT FOR DIRECT LENDING TO THE DUPONT JOINT VENTURE POLYACRYL IRAN IS EXPLAINED BY EXIM, SO SAY BANK CONTACTS, AS RESULTING FROM AN APPLICATION MADE CONSIDERABLY PRIOR TO THE MORE STRINGENT POLICIES ADOPTED BY EXIM.

6. OTHER USIRJC MATTERS RAISED BEING REPORTED SEPTTEL.

7. ACTION REQUESTED: EMBASSY WOULD APPRECIATE RECEIVING GUIDANCE FROM WASHINGTON ON MATTER OF EXIM FINANCING FOR 747 ACQUISITIONS AND U.S. EXPORT FINANCING FOR SALES TO IRAN GENERALLY.

8. AMBASSADOR REQUESTS THAT THIS MESSAGE BE BROUGHT TO THE PERSONAL ATTENTION OF THE SECRETARY.
HELMS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, MEETING REPORTS, CREDIT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TEHRAN08849
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760332-0119
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197609100/aaaadhsr.tel
Line Count: 138
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUN 2004 by greenet>; APPROVED <14 OCT 2004 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: USIRJC: GOI REQUEST FOR EXPANDED CREDIT FACILITIES FROM U.S.
TAGS: EFIN, IR, US, USIRJC, XMB, (SHORAKA, JALIL)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006